

For a lifetime of caring



MID COAST HEALTH SERVICES

August 29, 2008

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Phyllis Powell, Manager
Certificate of Need Unit
Division of Licensing and Regulatory Services
Department of Health and Human Services
State House Station 11
Augusta, Maine 04333

**Re: Letter of Intent - Mid Coast Hospital's Plan to Consolidate Healthcare
Services in the Mid Coast Region**

Dear Ms. Powell:

Please consider this our Letter of Intent to submit a Certificate of Need application for the review cycle beginning January 1, 2009. On May 28, 2008 CMMC submitted a Letter of Intent for a CON application to acquire Parkview Adventist Medical Center (PAMC). Given that Parkview is not a viable entity, we believe that Central Maine Healthcare's proposal should be viewed in the same context as if they were proposing to build a new hospital. However characterized, CMHC's proposal is inconsistent with the State Health Plan, is unnecessary and will significantly increase the cost of healthcare in the mid coast region. As you know, the State Health Plan promotes the consolidation of hospitals and not the unnecessary duplication of services. CMHC's proposal, however, is absolutely counter to the State's goal of reducing healthcare costs because it seeks to subsidize a failing entity for the purpose of creating a new referral source.

It cannot be overstated that PAMC is not a viable entity without significant financial support. In their most recent auditor's report, PAMC was given a "going concern" audit opinion. This type of audit opinion is rare and only given when an organization's financial condition is bleak. In fact, without CMHC's very recent \$5.6 million investment in PAMC, which was done without CON approval, it is unlikely that PAMC would still exist.

The fact that Parkview is not a viable entity clearly distinguishes CMHC's proposal from other acquisitions that have routinely been approved by the Department. This is not a question as to whether CMHC should be allowed to take control of a thriving hospital – Parkview is not thriving. Nor is this a question about whether the mid coast region can support two hospitals. The answer to that question has become quite clear as PAMC is on the verge of bankruptcy. Rather, this is a question as to whether it is in the public interest to allow CMHC to subsidize a failing hospital for the sole purpose of gaining access to a new market that will provide referrals to Central Maine Medical Center. As I stated above, CMHC's proposal should be viewed as a request to build a new hospital.

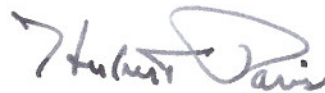
Contrast CMHC's proposal with Mid Coast Health Service's vision. Over the past twenty years Mid Coast Health Services has been the leader in developing an integrated healthcare system in the mid coast region. Mid Coast has successfully combined the former Bath and Regional Memorial Hospitals into a single hospital and reduced the number of licensed beds in our region by 27%, from 200 to 147. We have

attempted on many occasions to work with Parkview Adventist Medical Center so as to complete the vision of an integrated healthcare system. These attempts have been repeatedly rejected by the Northern New England Conference of Seventh Day Adventist Churches (Parkview's owners) because of their desire to maintain an independent faith-based hospital.

Mid Coast is proposing to consolidate all inpatient and outpatient services at its Cook's Corner campus in Brunswick. In addition, our proposal includes a small capital investment for the development of an urgent care and diagnostic center in Brunswick. This proposed project provides assurance to the State that the mid coast region can be better served with a single integrated healthcare system and can avoid the costly duplication that CMHC is proposing for our community. With very little incremental investment, Mid Coast is prepared to meet the healthcare needs of the entire mid coast region. Mid Coast's proposal would result in a reduction of the region's healthcare costs by over \$18 million annually and avoid millions of dollars in maintaining and someday replacing PAMC's aging and deteriorating facility. In addition, our proposal will further reduce the number of licensed beds in the mid coast region from 147 to 92.

Mid Coast is requesting that our project be considered as a competing proposal to the project associated with CMHC's Letter of Intent dated May 28, 2008. The incremental capital costs associated with this project are estimated to be \$3,500,000 and the third year incremental operating costs are expected to be \$22,500,000¹. In accordance with the CON statute, please provide a ruling on the applicability of the CON program to this project. We look forward to working with you and your staff throughout this process. We anticipate submitting our CON application on or about December 15, 2008. If you should have any questions, please do not hesitate to contact Robert McCue at 373-6028.

Sincerely,

A handwritten signature in dark ink, appearing to read "Herbert Paris", with a stylized flourish at the end.

Herbert Paris
President and Chief Executive Officer

¹ Mid Coast Hospital is interpreting the term "incremental" to mean "incremental" to Mid Coast Hospital. By taking on the costs associated with Parkview's volumes, Mid Coast's third year costs increase by \$ 22,500,000. One could also interpret "incremental" to mean "incremental" to the healthcare system as a whole. With this interpretation, there would actually be a reduction in third year operating costs of \$ 18,500,000 due to the enormous efficiencies gained by consolidating all volumes at Mid Coast Hospital.